

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this 25 day of August, by and through the Board of Directors (Board) of Gibraltar Bank, Oak Ridge, New Jersey, OTS Docket No. 04804 (Association) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Northeast Region (Regional Director);

WHEREAS, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

WHEREAS, the Association is subject to examination, regulation and supervision by the OTS; and

WHEREAS, based on its examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound practices and/or violations of law or regulation; and

WHEREAS, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices and/or violations of law or regulation identified by the OTS in the March 1, 2010 Report of Examination (2010 ROE), the Association and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on August 3, 2010, the Association's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Credit Administration.

1. Within thirty (30) days, the Association shall revise its credit administration policies, procedures, practices, and controls (Credit Administration Policy) to address all corrective actions in the 2010 ROE relating to credit administration. The Credit Administration Policy shall comply with all applicable laws, regulations and regulatory guidance and:

- (a) include policies, procedures, and systems to obtain and analyze, on at least an annual basis, updated borrower financial information on non-homogeneous loans;
- (b) include guidelines requiring that collateral properties be re-appraised prior to loans being modified, extended, or refinanced;
- (c) include guidelines requiring that current financial statements from the borrower be provided to the Association prior to loans being modified, extended or refinanced and that such financial statements be reviewed to determine whether the borrower has the ability to repay at the modified loan terms; and
- (d) include an effective system for the retention, review, renewal, and updating by the Association of all required records, filings, and other credit related documents.

2. Within thirty (30) days, the Association shall submit its Credit Administration Policy to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the Credit Administration Policy is acceptable, the Association shall implement and adhere to the Credit Administration Policy. The Board's review of the Credit Administration Policy shall be documented in the Board meeting minutes.

Internal Asset Review and Classification.

3. Within thirty days (30) days, the Association shall revise its written internal asset review and classification program (IAR Program) to address all corrective actions set forth in the 2010

ROE relating to internal asset review and classification. The IAR Program shall comply with all applicable laws, regulations and regulatory guidance, and at a minimum, shall:

- (a) require internal asset reviews and updates for: (i) all new loans made in the previous quarter; (ii) all loans and lending relationships exceeding \$500,000 except for loans that are secured by single family, owner-occupied real estate; and (iii) a sample of loans in the Association's existing non-homogeneous loan portfolio to be conducted not less than every three (3) months;
- (b) require the internal asset reviews and updates to be performed under the direction of the Audit Committee of the Board; and
- (c) require quarterly reports be submitted to the Board detailing for each loan reviewed: (i) any exceptions to the Association's Credit Administration Policy; (ii) any change in the risk rating; and (iii) any loan file with incomplete documentation and the nature of the missing or incomplete information.

4. Within thirty (30) days, the Association shall submit its IAR Program to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the IAR Program is acceptable, the Association shall implement and adhere to the IAR Program. The Board's review of the IAR Program shall be documented in the Board meeting minutes.

Interest Rate Risk Management.

5. Within thirty (30) days, the Association shall develop policies and procedures governing the Association's interest rate risk (IRR) management (IRR Policy) to address all corrective actions in the 2010 ROE related to IRR. The Association's IRR Policy shall comply with all applicable laws, regulations and regulatory guidance and, at a minimum, shall:

- (a) require establishment and guidance of the Association's strategic direction and tolerance for IRR, which shall include prudent limits on the nature and amount of IRR that can be taken;
 - (b) specify strategies and timeframes for reducing the Association's IRR exposure to the Board-approved limits;
 - (c) identify the selection of effective tools to measure and monitor the Association's performance and overall IRR profile; and
 - (d) establish an IRR monitoring and review process that includes quarterly reports (IRR Report) to the Board for discussion and corrective action.
6. Within thirty (30) days, the Association shall submit its IRR Policy to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the IRR Policy is acceptable, the Association shall implement and adhere to the IRR Policy. The Board's review of the IRR Policy shall be documented in the Board meeting minutes.
7. Within thirty (30) of days after the end of each quarter, beginning with the quarter ending September 30, 2010, the Association shall submit to the Regional Director a copy of the applicable IRR Report and a description of any corrective actions taken by the Board.

Flood Insurance.

8. Within thirty (30) days, the Association shall revise and implement policies, procedures and systems (Flood Program) to address all corrective actions set forth in the 2010 ROE relating to flood insurance. The Flood Program shall comply with all applicable laws, regulations and regulatory guidance, including the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended, 42 U.S.C. §§ 4001-4129, as implemented

by Part 572 of the OTS's Rules and Regulations, 12 C.F.R. Part 572 (collectively, Flood Laws and Regulations) Laws and Regulations.

Board Oversight of Compliance with Agreement

9. Effective immediately, the Board shall monitor and coordinate the Association's compliance with the provisions of this Agreement and the completion of all corrective actions required in the 2010 ROE.

10. Within thirty (30) days after the end of each quarter, beginning with the quarter ending September 30, 2010, the Association shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Agreement and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

11. Within thirty (30) days of the end of each quarter, beginning with quarter ending September 30, 2010, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Agreement. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within ten (10) days after the Board meeting.

12. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Agreement.

Brokered Deposits.

13. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b).

14. Effective immediately, the Association is prohibited from increasing the dollar amount of brokered deposits¹ at the Association without receiving the prior written non-objection of the Regional Director. The Association's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of acceptance of additional brokered deposits.

Effective Date.

15. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

16. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

17. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

Submissions and Notices.

18. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

19. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class

¹ The term "brokered deposit" is defined at 12 C.F.R. § 337.6(a)(2).

U. S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) To: OTS
Michael E. Finn, Regional Director
Office of Thrift Supervision
Harborside Financial Center Plaza Five
Suite 1600
Jersey City, New Jersey 07311

(b) To: Gibraltar Bank
Walter C. Provost, President
2 Railroad Plaza
Whippany, NJ 07981

No Violations Authorized.

20. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

21. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

22. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 21 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

23. The laws of the United States of America shall govern the construction and validity of this Agreement.

24. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

25. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

26. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

27. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

28. This Agreement is a "written agreement" entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

Signature of Directors/Board Resolution.

29. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution

authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

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WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

GIBRALTAR BANK
Oak Ridge, New Jersey

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
Walter C. Provost, Chairman

By: _____/s/_____
Michael E. Finn
Regional Director, Northeast Region

By: _____/s/_____
Carl Badenhausen, Director

By: _____/s/_____
Patrick J. Cooke

By: _____/s/_____
Nancy Kridel

By: _____/s/_____
Kenneth E. Phillips

By: _____/s/_____
Dale G. Potter

By: _____/s/_____
John Reiner

By: _____/s/_____
Frederick H. Schlesinger